



SOCIAL SECURITY INFORMATION CENTER

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Strengthening Social Security for Future Generations

President Bush is committed to strengthening the Social Security system for future generations of Americans. In his State of the Union Address, the President assured Americans that he will not change the Social Security system in any way for those born before 1950.

- Social Security was one of the great moral successes of the 20th century. It provides a critical foundation of income for retired and disabled workers.
- For one-third of Americans over 65, Social Security benefits constitute 90% of their total income.

Social Security is sound for today's seniors and for those nearing retirement, but it needs to be fixed for younger workers. The government has made promises it cannot afford to pay for with the current pay-as-you-go system.

- In 1950, there were 16 workers to support every one beneficiary of Social Security.
- Today, there are only 3.3 workers supporting every Social Security beneficiary.
- In 2008, baby boomers will begin to retire. And over the next few decades, people will be living longer and benefits are scheduled to increase dramatically.
- By the time today's youngest workers turn 65, there will only be 2 workers supporting each beneficiary.
- Today's 30-year-old can expect a 27% benefit cut from the current system when he or she reaches retirement age.

If we do not act to fix Social Security now, the only solutions will be dramatically higher taxes, massive new borrowing or sudden and severe cuts in Social Security benefits or other government programs.

- In 2018, just 13 years from now, the government will begin to pay out more in Social Security benefits than it collects in payroll taxes – and shortfalls then will grow larger with each passing year.
- By the year 2027, the government will need to come up with an extra \$200 billion a year to keep the system afloat.
- By 2033, the annual shortfall will be more than \$300 billion a year.
- By 2042, when workers in their mid-20s begin to retire, the system will be bankrupt.

To keep the promise of Social Security alive for our children and grandchildren, Social Security needs to be fixed once and for all.

As we fix Social Security, we must make it a better deal for our younger workers by allowing them to put part of their payroll taxes in personal retirement accounts.

- Personal accounts would be entirely voluntary.
- The money would go into a conservative mix of bond and stock funds that would have the opportunity to earn a higher rate of return than anything the current system could provide.
- A young person who earns an average of \$35,000 a year over his or her career would have nearly a quarter million dollars saved in his or her own account upon retirement.
- That savings would provide a nest egg to supplement that worker's traditional Social Security check, or to pass on to his or her children.
- Best of all, it would replace the empty promises of the current system with real assets of ownership.